

Memorandum

To: Panel Members Date: March 27, 2003

From: Charles Rufo, Manager
Peter DeMauro, General Counsel Analyst: S. Joyce

Subject: One-Step Agreement for **Dey, L.P.**
www.deyinc.com

CONTRACTOR:

- Training Project Profile: Retraining: companies with out-of-state competition
- Legislative Priorities: Promotion of California's Manufacturing Workforce
Moving to a High Performance Workplace
- Type of Industry: Manufacturing
- Repeat Contractor: No
- Contractor's Full Time Employees:
 - Company Wide: 34,000
 - In California: 1,351
- Fringe Benefits: Yes
- Union Representation: No
- Name and Local Number of Union
representing workers to be Trained: N/A

CONTRACT:

- Program Costs: \$932,710
- Substantial Contribution: \$0
- Total ETP Funding: \$932,710
- In-Kind Contribution: \$1,146,886
- Reimbursement Method: Fixed-Fee
- County(ies) Served: Napa
- Duration of Agreement: 24 months

SUBCONTRACTORS:

Achieve Global, San Francisco, California, \$18,000 for Continuous Improvement training.

Core Communications, Muir Beach, California, \$9,000 for Continuous Improvement training.

ITH, San Francisco, California, \$4,000 for Continuous Improvement training.

THIRD PARTY SERVICES:

None.

NARRATIVE:

Dey, L.P. is eligible for funding under Title 22, California Code of Regulations, Section 4416 (a) (1) and (2) Out-of-State Competition. Dey, L.P. (Dey) is a manufacturer and distributor, producing and distributing prescription medication to California, United States, and worldwide customers.

Founded in 1978, Dey is a specialty pharmaceutical company focused on the development, manufacture and marketing of prescription drugs used to treat selected respiratory diseases and allergies.

Dey is a subsidiary of Merck KgaA. Headquartered in Darmstadt, Germany, Merck KgaA has 192 companies operating in 27 countries with a total of 34,000 employees.

Of the 1,351 Merck KgaA employees in California, Dey employs 700 of them in Napa, California. An additional 20 Dey employees are located throughout California as marketing and sales staff.

Dey's business strategy focuses on establishing and maintaining a leading position in sterile unit-dose inhalation solutions and developing Patient-Focused Packaging for safe sterile drug delivery. In addition to EpiPen®, an anaphylaxis treatment medication, Dey markets generic and branded respiratory products, including DuoNeb™, AccuNeb™, and Curosurf®.

As competition increases, Dey requires a workforce with optimal skills and training. Dey representatives state they began 2002 with a strong market share of 56 percent for one product. However, a competitor in Florida, that initially had a 2 percent market share was able to increase it by mid-year to 16 percent, while Dey's market share decreased to 37 percent. Dey believes that this change in market share can be explained in part by the competitor's ability to compete on price because of lower production costs in the state of Florida. Changing market demands compound the cost-of-production. To remain competitive, Dey states it must implement manufacturing and packaging production line modifications to switch products rapidly, eliminate rework and maintain Federal Drug Administration (FDA) and internal quality requirements.

With the purchase of new computer software, process changes and technological advancements, Dey needs to implement new skills training. As manufacturing lines become more technical, with machinery and computer systems measuring and maintaining quality, inspectors need to learn the new operating systems. Leaders at all management levels must manage technological and process changes, measure results, and improve staff's abilities.

Because of these challenges, Dey has assessed the training needs of staff and determined the following topics are necessary for the company's success:

NARRATIVE: (continued)

Continuous Improvement training will be given to all trainees to promote teamwork throughout the organization. It will help the company execute cross-functional projects more effectively, enhance productivity in reporting practices, and help employees from different work groups and functions assess and fix process and productivity problems that have common bearing among departments. Cross training is required so that frontline workers may shift stations within both existing and new production lines.

Process assessment, re-engineering, and control training will reduce production costs. Employees at all levels will be trained to identify barriers to productivity improvement on both production lines and in administrative services. Employees will learn to communicate suggestions for improvement through common language mapping tools and assessment methods. All Continuous Improvement training programs will support Dey's transition to a high performance workplace.

Business Skills training will be given to all employees. Business performance courses will focus on new practices in accounting, finance and marketing. New product knowledge and product updates training will be offered to employees who need a level of understanding within their departments. These courses will help support staff strengthen their value to the company and increase their opportunity for advancement.

Communication Skills training will teach meeting and presentation styles as well as effective one-on-one discussions. Enhanced communication skills will assist staff to offer ideas and suggestions for productivity improvements.

Customer service training will increase coordination among internal customers. Project Management skills are essential for the execution of long-term projects that are growing in complexity at Dey. Team members will be drawn from every department of the company. Training will provide the company with trained project leads and project team members from the frontline who understand all aspects of project management and their roles as team members.

Sales skills will enhance the ability of the marketers to compete against the field of pharmaceutical representatives from other companies. Without a full-time sales staff, Dey requires staff to know effective selling skills with less direct customer contact time in order to drive sales successes.

Management Skills are planned for Managers, Supervisors, and Leads. This training will enhance the abilities of each to encourage employees to take on the skill challenges that are described in Continuous Improvement and Business Skills. The training will teach leadership and management change, employee performance assessment, constructive feedback and it will support positive working relationships.

Manufacturing Skills are for Janitorial Building Maintenance, Inspectors, Packers, Operators, Specialist Support, Manufacturing Leads, Coordinators, Administrative Assistants, Scientific Regulatory Quality Assurance (QA), Quality Control Support (QC), Manufacturing Technicians, Managers, Supervisors, and Warehouse Workers. The courses will prepare employees to handle process, equipment, and technology changes. The training will introduce or enhance skills required for a new level of quality manufacturing. More employees will gain skills allowing them to easily assign employees, accept product switches and the new production lines of 2003.

Computer Skills training is scheduled for all employees. The training will assist employees who need to enhance current skills or learn new applications. The result will increase productivity to meet the requirements of additional job responsibilities.

NARRATIVE: (continued)

Literacy Skills will provide remedial instruction in Vocational English as a Second Language for up to 100 frontline workers in the following positions: Janitorial Building Maintenance, Inspectors, Packers, Operators, Specialist Support, Manufacturing Leads, Clerks, Coordinators, Secretaries, Administrative Assistants, Scientific Regulatory QA, QC Support, Manufacturing Technicians, Managers, Supervisors, and Warehouse Workers. Courses will be available for advancement in competency in oral and written business English. Trainees will develop oral skills to increase their capabilities in delivering oral reports, making presentations, and participating in meetings. Written English courses will focus on reading, writing, and analyzing reports, instructions, processes, and forms.

Supplemental Nature of Training

Dey provides a variety of on-the-job training courses to comply with regulatory standards and internally mandated quality standards. Occupational Safety and Health Administration (OSHA) and Good Manufacturing Process (GMP) training is provided frequently as well as training fundamental to sustaining current and changing Federal regulatory requirements and laws. Also, new sales staff receive extensive training. For instance, Dey provides a new-hire sales representative with up to 180 hours of formal training over a 24-month period. This training normally includes various topics in FDA regulatory compliance, medical terms, territory management and insurance coverages. Other training provided at the company's expense includes orientation for newly hired workers as well as quality, safety, and company and product overviews. Dey will also continue to fund training for Senior Executives who are not included in the ETP program, but will need enhanced skills to manage a high performance workplace.

Dey contends the proposed ETP funding will deliver formal training to retrainees who must acquire skills in new technical areas, learn new equipment, and processes and procedures that support technical implementations and high performance methodologies. Without ETP funding, this training would be reduced in scope and depth and could only be deployed to a small, select staff over an extended period of time.

In-Kind Contribution

Dey's in-kind contribution will be \$1,146,886 in wages paid during training.

COMMENTS:

According to the Contractor's representative, 593 trainees in this Agreement are frontline workers, as defined under Title 22 California Code of Regulations, Section 4400(ee). They directly produce or deliver goods or services. There are 101 Managers/Supervisors participating in this Agreement, representing 14.5 percent of the trainees. The signatory of this proposal states that no executives or upper management who set company policy are included in this training.

PROPOSED ACTION:

Staff recommends that the Panel approve this One-Step Agreement if funds are available and the project meets Panel priorities. This recommendation is based on the company's statement that the proposed training will enable the company to expand and offer high-skilled, high-wage jobs.

TRAINING PLAN:

Grp/Trainee Type	Types of Training	No. Retain	No. Class/Lab Videocnf. Hrs	No. CBT Hrs	No. SOST Hrs.	Cost per Trainee	Hourly Wage after 90 days
Jobs 1-5 Retraitees	Business Skills Computer Skills Continuous Improvement Literacy Skills Management Skills Manufacturing Skills	694	45-130	20-40	0	\$585-\$1,930	*\$10.98-\$71.61
					<u>Range of Hourly Wages</u> *\$10.98-\$71.61		
					<u>Prevalent Hourly Wage</u> \$15.38		
					<u>Average Cost per Trainee</u> \$1,344		
					<u>Turnover Rate</u> 14.5%		
					<u>% of Mgrs & Supervisors to be trained:</u> 15%		
<u>Health Benefit used to meet ETP minimum wage:</u>							
Health benefits of up to \$2.13 per hour may be added to the wages of trainees in Jobs 2 and 5 to meet the ETP minimum of \$10.98 for Napa County.							

Dey, L.P. Menu Curriculum

Class/Lab Hours: 45-130

Computer Based Training (CBT) 20-40

Trainees will receive training in any of the following:

Continuous Improvement

- Introduction to Teamwork
- Managing Conflict
- Coaching Teams
- Principles of a Collaborative Workplace
- Teamwork Alignment
- Collaborative Meeting Facilitation
- Teamwork Performance Improvement
- Peer Coaching
- Process Reengineering
- Process Mapping
- ISO 9000-2000
- Needs Assessment
- Decision Making
- Intro to Six Sigma
- Lean Production Speed
- Root Cause Analysis and Corrective Action

Business Skills

- Presentation Skills
- Communication Styles
- Strategic Communications
- Communicating Change
- Collaborative Meeting Facilitation
- Negotiating
- Interpersonal Skills
- Train the Trainer
- Internal Customer Service
- Customer Service Practices
- Measuring Customer Service
- Project Management
- New Product Knowledge and Updates
- Financial Strategies
- Accounting
- Inventory Analysis and Control
- Finance and Data Analysis
- Training Delivery Practices
- Advanced Strategic Selling
- Sales Negotiation
- Clinical Studies
- Customer Relations

Dey, L.P. Menu Curriculum (Continued)

Inside Sales Skills
Sales Communication
Marketing Excellence

CBT (Jobs 1, 3, and 4) 20-40 Hours

Managing a Customer Service-Oriented Culture
Establishing Your Teams Desired Performance
Coaching in a Service-Oriented Culture
Exceeding Customer Expectations
Customer Service Strategy
Improving the Process of Service Delivery
Navigating the Change Process Successfully
Project Integration Management
Project Scope Management
Project Time Management
Project Cost Management
Project Quality Management
Project Human Resources Management
Project Communications Management
Project Risk Management
Project Procurement Management

Management Skills (allowable only for trainees employed as Managers, Supervisors or Leads)

Strategic Planning
Leading and Managing Change
Team Leadership
Effective Leadership
Leading Continuous Improvement
Coaching
Action Planning
Appraising and Evaluating Employees and Teams
Managing Under Pressure
Conflict Management
Reward and Motivation
Performance Management

Manufacturing Skills

Gowning
Aseptic Environments
Advanced Safety
Advanced Good Manufacturing Process Practices
Cross Training
Nasal Spray Manufacturing Line (re-training new equipment)
Packaging Equipment, Technology and Process (re-training new equipment and/or processes)

Dey, L.P. Menu Curriculum (Continued)

Pharmaceutical Manufacturing Equipment, Technology and Process (re-training new equipment and/or processes)
Electronic Documentation Process and Procedure
Single Vial Packaging
Good Engineering Practice (GEP)
ISA--Instrumentation, Automation, and Systems Crafts Skill Improvement
Overwrap Technology and Automation Equipment (re-training new equipment and/or processes)
Skill Blocks

Computer Skills

MS Word
MS Publisher
Lotus Notes
Internet
Email
PowerPoint
Basic Computing Skills
Visio
Crystal Reports
FutureCast
COGNOS Computer System
Building a CBT Training Program
Learning Management Computer System
Building Management System
Clean in Place (CIP) Computer Application System
Computerized Maintenance Management System (CMMS)
SSA BPCS Version 8.0 Computer Application Systems
NuGenesis Scientific Data Management System
Oracle Database Management
TotalChrom Chromatography Data System
LIMS (Laboratory Information Management System)
HPLC High Performance Liquid Chromatography and GC Process, Analysis, Tracking, and Documentation Systems
Electronic Document Management System
Electronic Documentation Systems and Implementation

CBT (Jobs 1, 3, and 4) 20-40 Hours

Beginning Excel
Intermediate Excel
Advanced Excel
Beginning MS Project
Intermediate MS Project
Advanced MS Intermediate

Literacy Skills Jobs 2, 3, and 5 (May not exceed 45% of the total training hours)

Vocational ESL-written
Fundamental Business Writing
Understanding Instructions and Processes
 Understanding Rules and Procedures
 Report Writing
Vocational ESL-oral
Fundamental Business Communication
Meeting Participation
Team Communications
Reporting and Business Presentation